Dollars and sense:

Social agreements

— a note of caution

— Gavan Butler

References to social contracts, social agreements, "working-class" incomes policies and the like are today quite frequent within the labor movement. The Australian Labor Party is said to have a special relationship with the trade union movement which is capable of being expressed in deals concerning, at least, the rate of growth of award wages, taxation and priorities in expenditure by the federal government. In the prelude to the next federal election, the ALP will be suggesting to the labor movement that it will be able to secure workers' living standards, while also suggesting to employers that it will be able to ensure a more stable industrial climate if not a lower and more stable rate of growth of direct labor costs. Those who recall the experience of British unions with the social contract of the mid-1970s point out, however, that the deals involved are likely to limit the independence of unions and constrain them to accept a steady decline in the living standards of most workers.

An improvement in the standard of living depends in Australia upon what happens to award wages, to over-award payments, to the extent of the state's provision of basic commodities such as health care and housing (items of social consumption), to social welfare expenditure (or transfers to persons and households), to taxation, to the work, social and general physical environments and, of course, to prices. In the current campaign by the ALP and the Amalgamated Metal Workers and Shipwrights Union the first five of these factors have more or less been classed as affecting either changes in take-home pay or changes in "the social wage". (The concept of "the social wage" implicit here is not entirely satisfactory but has to be retained to avoid confusing the discussion.)

Each of the various determinants of a change in the standard of living involves different procedures and apparatuses. Only one does not involve the state fairly directly and that is what happens to over-award payments.

The state has come to be involved in determining the general physical and social environment not only through powers to govern emissions of effluent and to confine
activities to specific areas, but through the design of physical infrastructure — the location of power stations, the design of road systems, etc. In corporate pricing it plays a part that is commonly hidden yet none the less significant for that. It provides various industries with protection from overseas suppliers; and, more generally, it licenses small groups of companies and thereby helps to create monopoly power over pricing in various industries. It is not at all surprising that the Prices Justification Tribunal became something which, in the main, simply justified corporate pricing. In comparison with the diversity of licensing arrangements, only the federal government’s decisions in regard to the pricing of crude oil and sugar are considered by the Industries Assistance Commission when it calculates the effective assistance provided by the state to different industries.

In Australia, as in other federations — perhaps more than in most others — it would be very difficult to harness the state into tripartite agreements (with capital and labour). The state is something of an hydra: there are federal, state and local apparatuses and numerous statutory authorities, some of them with considerable autonomy. Each level of government is involved in the provision of items of social consumption and in social welfare expenditure. The relative importance of each is sensitive not only to negotiations over the formula by which income-tax payments are disbursed to the states and municipalities (or federal decisions regardless of negotiations and the recommendations of the Grants Commission in regard to the basic formula) but to the federal government’s preference as between general revenue grants and grants for specific purposes. Each level of government is involved in taxation. There is competition, particularly between the federal and state governments, for claims to each of the different tax bases such that any agreement over indirect taxation between labour organisations and the federal government, for example, may have the effect of enabling state governments to expand their claims.

Such an effect is, of course, limited by the interdependence of the states — the concern of each to ensure that it does not lose industries to other states because of markedly higher taxes and charges. Further, each state can influence its industrial commission in a direction that is at odds with the direction of the pressure put by the federal government on the Conciliation and Arbitration Commission (CAC). And each state either can add significantly to any federal assistance given to a particular industry or, in effect, can tax that assistance.

**Metal trades agreement**

Even without any consideration other than the nature of the Australian state, it is hardly surprising that unions should seek to engage employers more directly and to broaden the ambit of their claims. The metal trades agreement of 1981 for shorter working hours and increased awards was achieved by what has been called "centralised bargaining" (between four unions and one employer organisation in the form of the Metal Trades Industries Association). The agreement was put to the CAC simply for ratification. Such centralised bargaining may, in the future, be extended to cover standards of industrial health and safety and the payment by employers of the cost of workers’ health care. Particulars of agreements can be left to site negotiations involving rank-and-file unionists. In general, the ambit of centralised bargaining could be widened to include matters which, in the past, have been considered as within the province of the state. The working out of particulars at the shop floor level and the fact that centralised bargaining largely precludes the alienating legalism of submissions put before the CAC and industrial commissions can be represented as fostering the democratisation of union structures.

The fact that it is trade unions (not an industry union) which are entering into agreements such as the metal workers’ agreement should not be overlooked. The centralised determination of awards for
trades in Australia has made possible the spreading of wage increases based on increases in productivity within some industries to workers in areas in which productivity has been slow to increase. The extent to which this has occurred has admittedly varied; but such a mechanism for distributing income generated in areas of most rapidly increasing productivity could not have existed had there been industry unions. Up until a few years ago, industries finding it difficult to pay the centrally determined awards were able to seek compensation by means of the import tariff.

What may be emerging, then, is a system of agreements centrally negotiated between trade unions and employer organisations that will cover more and more of the elements of workers' standards of living. The backdrop to this system would be a continuing campaign to force federal and state governments to maintain, if not to increase, expenditure on social welfare and social consumption, to cut indirect taxes and to effectively eliminate income tax evasion, to enforce or enact legislation in regard to industrial safety and health, and to preserve by whatever means satisfactory physical and social environments. The ALP in opposition can be expected to endorse such demands, and to point to the evident success of the metal trades agreements in endorsing other such agreements.

The ALP in government would presumably act in respect of taxation, social welfare and social consumption in an effort to induce more unions to enter agreements with employers that at least reduced the cost of industrial disputation. If the next federal government were another conservative government, the system of centrally negotiated agreements could still develop but without the backdrop of the maintenance of the social wage. The big unions are hedging their bets.

Is it correct to make the centrally negotiated "social agreements" which are presently being discussed the central thrust of the strategy of the labor movement for the time being? Three important concerns which this central thrust may well push aside are (i) the pricing and investment decisions of large corporations, (ii) reform of the structure of government and of federal-state relations in Australia, and (iii) the growing problem of unemployment.

"Social agreements" between unions and employers may well involve some agreement as to the manner and timing of innovations in technology. But there are other corporate decisions which are of immense importance. It is hardly novel to observe that pricing decisions can undermine the value of take-home pay or that any reductions in indirect taxes may not be reflected in the prices of commodities in retail outlets. Presumably the observation has become facile in view of constitutional difficulties in the way of federal control of most prices and in view of the genuine difficulty of penetrating the logic of accounting procedures within large, multi-divisional and vertically integrated corporations.

The same, largely impenetrable, corporations are able to channel investible funds away from areas of social need, to relocate particular stages of the production of many commodities overseas, to channel funds surreptitiously from activities for which they have gained protection to other activities of greater profitability, in a broad sense to develop the nature of processes of production as they see fit, and, moreover, to decline to invest. Whatever the discipline of the market, it is not the discipline of the community, although if private employers in general had to pay explicitly for the health care of workers, for example, they might discipline the private suppliers of hospital and medical care and of other commodities to which physical well-being is sensitive.

There is a way in which the federal government can assert its standing as a party to pricing and investment decisions. In principle, that means bears some similarity to the practice of the Whitlam government in tying grants to the states to specific purposes.

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The federal government assists particular industries in a wide variety of ways. The means of assistance include the imposition of tariffs and import quotas, subsidies, incentive payments, the government’s own purchase of supplies and so on. Moreover, as already noted, the federal and state governments directly and indirectly license groups of companies to undertake particular activities (of which the provision of car rental services at airports is only one obvious but relatively small example). To all of these forms of assistance, conditions can be attached. That is, the various contracts between the state and particular states can be rewritten so that they are much more to the advantage of the state. Any rejoinder here that the state in Australia is a capitalist state is of little relevance. What is relevant is that the labor movement can be expected to understand the nature of contractual obligations, that each instance of industry assistance does indeed involve a contract and that, as parties to current contracts, governments in Australia are derelict in their responsibility to the people.

There is an important political purpose in the use of such bourgeois notions. It takes the focus of any social contract away from an incomes policy which can too easily mutate into a policy of wage reductions alone. While unions and employers might negotiate agreements for wage restraint in exchange for shorter hours, better standards of industrial safety and so on, the state could be expected to attach conditions to pricing and investment decisions in renegotiating its own contracts with employers (although the impenetrability of corporate structures will continue to pose a problem). It can be made to seem reasonable to hold such an expectation: that is the important thing.

Whether the state will even act as can be expected is another matter. In fact, such actions by the state amount in effect to national planning if they are made consistent with each other. It may not work any better here than in European capitalist economies. Indeed, it is unlikely to work; but progress through some sort of national planning is arguably a necessary part of the transition to socialism.

A stronger state

Clearly, the social contracts which have just been mentioned and, for that matter, the wider agreements that may be negotiated between unions and employers are inconsistent with the sort of federalist structure which the Fraser government has encouraged. By a variety of means, the Whitlam government was moving towards more centralised government. Reference has already been made to the high proportion of specific-purpose grants in relation to general revenue grants to the states; the constitutionality of the Seas and Submerged Lands Bill, under which the development of off-shore resources became the province of the federal government, was eventually upheld by the High Court; moves were being made in a number of areas of government to establish and fund regional activities in order to bypass the states. These and/or similar moves must be pursued by any future Labor government. Equally importantly, the autonomy of the large statutory corporations has to be reduced. It is becoming well recognised that the managements of the states’ electricity commissions have too much independence, are too well insulated from the communities they are supposed to serve and in which their plant is located, and are dismissive of the expertise of workers employed by the commissions. It is important to press for greater accountability to local communities and for workers’ control; but it is also important to ensure that statutory corporations which provide physical infrastructure are integrated with the planning apparatus of the state.

The third matter that may be very disturbingly set aside by making centrally negotiated agreements between unions and employers the central thrust of the labor movement’s present strategy is the problem of unemployment. At the beginning of July it was announced that the proportion of the
workforce unemployed and actively looking for work had reached 6.7 percent. Even the *Australian Financial Review* noted, however, that the proportion of people who had been discouraged from looking for work and had so withdrawn from the recognised workforce is also continuing to increase. Some of the latter may actually be working casually in the cash economy; but this is essentially irrelevant. Regardless of there currently being a recession (depression?), it is becoming clear that the proportion of the population which will be required as productive workers is declining.

Up until recent times, two additional systems had worked reasonably enough to disguise this trend. Opportunities for unproductive labour in "service activities" such as, most notably, the simply-regulatory activities of the state, litigation in various courts, auditing and the organisation of tourism expanded considerably. Activities such as these spread the available income among more people. Second, there were extensions in the state's schemes of income maintenance and in payments involved. Neither of these systems as securely provides claims to an income as does employment in productive activities. That is not to say that employment in what are productive activities for a capitalist economy is to be preferred in principle: it is simply a more secure claim to an income. Schemes of income maintenance such as for the support of single parents, are under attack, and payments are being reduced in real terms. Opportunities for unproductive work are constrained either by their being obviously unproductive or by the level of real wages paid for productive labour.

**Maintaining the workless**

What can be done? In the first place, the introduction of job-displacing technology must be controlled. Second, there must be real opportunities for the retraining of workers who must be displaced. Third, there must be an expansion of the provision of housing, education, local amenities, and so on, and hence the provision of more jobs in supplying elements of the social wage. All of these moves are matters for social contracts; some must involve the state while some may be more appropriately the subject of agreements between unions and employers. But even if such moves were to occur, it is quite unlikely that unemployment would be obviated or that there would ever again be "an unemployment problem" as relatively slight as existed in Australia twenty years ago.

What must be devised is a system of income maintenance which is secure and as unconditional as possible. A more or less unconditional system might develop within a fringe society; but it would hardly be secure. As things stand at the moment, a state system with any measure of security will be strongly conditional on acceptance of close surveillance by functionaries of the state, of willingness to transfer to employment of whatever nature, wherever it is to be found, and of subservience ideologically, and so on. The task of devising a secure and relatively unconditional system of income maintenance must be undertaken by the labor movement, and specifically by those of us who are employed. Each "social agreement" or contract must be designed in the light of this need and with full recognition that the obverse of every gain for the strong in capitalist societies is the scrapping of some of those people in positions of economic and political weakness.

It is all very well to urge that the left should support the struggles of the unemployed, of pensioners, of migrants, of women or of Aborigines. This would be so much "pie in the sky" if there were no attempts to link these struggles closely with the negotiations in which the stronger, progressive elements of the labor movement are parties.